

Message Text

SECRET

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

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O R 111205Z NOV 74

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC IMMEDIATE 8986

INFO AMEMBASSY ABU DHABI

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY TRIPOLI

AMEMBASSY QUITO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY VIENNA

S E C R E T TEHRAN 9575

EXDIS

E.O. 11652: GDS

TAGS: ENRG, IR

SUBJ: ABU DHABI OIL MEETING

1. IN NOVEMBER 10 AUDIENCE SHAH ASKED ME TO INFORM THE SECRETARY THAT PROPOSAL SAG PRESENTED TO ABU DHABI MEETING APPARENTLY IS THE VERY SAME PROPOSAL GIVEN HIM BY PRINCE SA'UD, WHICH HE READ TO SECRETARY ON NOVEMBER 1. SHAH REITERATED THAT SAG'S SCHEME REPRESENTS A PRICE INCREASE OVER IRAN'S RECENT "SINGLE PRICE" PROPOSAL TO OPEC.

2. SHAH ADDED HE FEELS WESTERN MEDIA HAVE GIVEN DISTORTED PICTURE OF HIS SINGLE PRICE PROPOSAL. HE HAS THEREFORE ORDERED THAT FULL TEXT OF HIS NOVEMBER 2 PRESS CONFERENCE BE PRINTED AS ADVERTISEMENT IN AMERICAN NEWSPAPERS. HE STATED THAT IRAN WILL CONTINUE TO
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PUSH ITS SINGLE PRICE PROPOSAL IN OPEC.

3. KAYHAN INTERNATIONAL NOVEMBER 11 PRINTED FULL TEXT OF COMMUNIQUE ISSUED AFTER ABU DHABI MEETING. SUBSTANCE IS THAT SAG, ABU DHABI AND QATAR WILL IMPLEMENT SAUDI PROPOSAL EFFECTIVE NOVEMBER 1, 1974 THROUGH JULY 1975, AND THAT IRAN, KUWAIT AND IRAQ STATED THAT PRICE ISSUES SHOULD BE CONSIDERED AT DECEMBER 12 OPEC MINISTERIAL CONFERENCE. ABU DHABI MINPET OTEIBA, ACCORDING KAYHAN, DESCRIBED SAG PROPOSAL AS FOLLOWS: (A) A 40-CENT DECREASE IN POSTED PRICE (B) AN INCREASE IN ROYALTIES TO 20 PERCENT OF POSTED PRICE (FROM 16.67 PERCENT) AND (C) AN INCREASE IN THE INCOME TAX RATE FROM 65.75 PERCENT TO 85 PERCENT. COMMUNIQUE DO NOT INDICATE WHETHER SAG PROPOSAL ASSUMES BUYBACK/GOVERNMENT MARKET PRICE OF 93 PERCENT OF POSTINGS. IF PROPOSAL DOES MAKE THIS ASSUMPTION AND IF COMMUNIQUE ACCURATELY REPRODUCED IN KAYHAN, COST OF AVERAGE BARREL OF SAUDI ARABIAN LIGHT CRUDE WOULD BE \$10.244. IF SAG PROPOSAL SETS INCOME TAX AT 80 PERCENT (AS WE HAD UNDERSTOOD FROM NIOC SOURCES) INSTEAD OF 85 PERCENT AS REPORTED BY KAYHAN, AVERAGE BARREL WOULD COST \$10.066. IN ANY EVENT, SAG PROPOSAL ADOPTED AT ABU DHABI MEETING IS NO DECREASE IN PRICE AND MAY BE A SLIGHT INCREASE IF 93 PERCENT OF POSTED STILL OBTAINS AS GOVERNMENT SALES PRICE. IF IRANIAN PROPOSAL IS ADOPTED IN FORM REPORTED IN NOVEMBER 5 PIW (ASSUMING 70 PERCENT OF OIL SOLD TO MAJOR COMPANIES AT \$9.85, WHICH IS CURRENT COST OF AVERAGE BARREL OF ARABIAN LIGHT, AND 30 PERCENT SOLD BY GOVERNMENT TO OTHER BUYERS AT \$10.35), COST OF AVERAGE BARREL OF ARABIAN LIGHT CRUDE WOULD BE \$10.00.

HELMS

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